



**Connecticut  
Petroleum Council**

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**Testimony of  
Steven Guveyan, Connecticut Petroleum Council  
Opposition to HB-5744, HB-5869 & HB-5871, Gasoline Zone Pricing  
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The Connecticut Petroleum Council, representing major oil companies, refiners, and terminal operators, submits the following testimony in opposition to the three bills (HB-5744, HB-5869 & HB-5871) proposing to ban gasoline zone pricing. We strongly recommend that wholesalers continue to be allowed to offer differing prices---which allows consumers to pick and choose amongst retailers who offer higher or lower prices---rather than have the General Assembly mandate that fuel be sold to stations at uniform prices. As everyone knows, prices are supposed to vary and consumers are supposed to shop.

These proposed gasoline zone pricing ban bills prohibit wholesalers from varying their prices to retailers for any reason---even competition! That leads to inflexible, anti-competitive pump pricing results. The bills clearly prevent intra-brand competition, an outcome action which the Federal Trade Commission (FTC) has strongly warned against. The FTC, numerous studies, and an in-state study commissioned by our organization (API) and compiled using hard pricing data by professors at Quinnipiac University show the same types of results: that, overall, zone pricing reduces prices, or that banning it leads to higher ones. In a letter dated May 2, 2007, the FTC explicitly warned the Connecticut General Law Committee not to pass a gasoline zone pricing ban because it was not in the best interest of consumers. We find no evidence anywhere that a ban reduces prices.

Under this proposal, a wholesaler selling gasoline cannot lower its price of gas to a retailer who has extreme competition (thereby benefiting consumers) without also lowering its prices to other retailers not facing that situation. If a wholesaler wants to sell gasoline at cost (no profit) at one location to meet a competitor, he must do so at ALL locations. As many have testified, doing so puts the entire chain of stations at risk. Faced with losing the whole chain or just one station, the wholesaler may decline to meet the competitor's price and risk losing that one station. Overall, this leads to fewer stations and less competition, thereby hurting consumers.

Conversely, when a wholesaler increases prices to one station, it would be compelled to increase them statewide, thereby forcing up prices to a wide range of consumers who otherwise might not face a price increase. Competition for gasoline sales is local, not statewide, but a rule preventing increases at only certain stations forces prices statewide to go up or down in a uniform manner, thereby depriving customers of the price wars that exist in many portions of the state, such as the Berlin Turnpike. Sheraton and Marriott vary their prices by city based on competition in those cities, not on a statewide average, and Super Stop & Shop and CVS do the same for food and drugs, because price competition by nature is local. The Sears circular included in The Hartford Courant on February 11<sup>th</sup> clearly states the price of tires it sells varies by store. The model for pricing gasoline to service stations mirrors what many other industries do.

Not every man wears a size 40 jacket nor every woman a size 8 dress, and the same holds true for selling gasoline: there is no "perfect price" that will suit the needs of all, or even most buyers and sellers. Prices to service stations---even of the same brand---can and should vary to account for competition. Many gas

retailers have testified over the years that their gasoline supplier lowered their price in order to compete with competitors over the Massachusetts state line, where prices are significantly lower (Reason: Because Massachusetts does not impose a petroleum gross receipts earnings tax which Connecticut does. That one tax at current prices adds about 17.5 cents per gallon to the price of fuel here, making it very difficult for Connecticut gas retailers to compete with retailers just over the Massachusetts line.)

In addition to a zone pricing ban, HB-5871 proposes a uniform gasoline pricing model. No consumer product offered to the public---houses, cars, food or appliances---utilizes a uniform pricing model, which is also a form of price control. Prices are supposed to vary, consumers are supposed to shop, and that competition serves all parties well.

With regard to pump prices in the Stamford/ Greenwich area which are the highest in the state: more service stations (which means more competition) would lower prices. Stamford/Greenwich is wonderful area in which to live, but growth (UBS, RBS, Lexus dealership) has come at the expense of giving up gas stations, which those businesses have displaced. More stations would most likely lead to lower prices. The relatively small number of gas stations in that area is a function of the real estate market, which values the highest and best use of property as something other than a gas station. If the population in those towns shrinks, or the number of stations increases, supply and demand would be more balanced.

We urge rejection on all three bills. Thank you for taking our testimony.